United States
Department of Agriculture

Foreign Agricultural Service

September 1987

Foreign Agriculture

Irradiated Food: Is There A Bright Future?

Marketing News

U.S. Soybean Farmers Join Soviets in Market Promotion Agreement

Last spring, the **American Soybean Association** and the Soviet Union's Ministry of Agriculture **GOSAGROPROM** signed an agreement of scientific and technical cooperation in Moscow. The agreement illustrates the effort of U.S. soybean farmers to convince the Soviet Union of their desire and ability to be long-term, reliable soybean suppliers.

As part of the agreement, the Association and Soviet officials will work together on a swine feeding trial this fall in the Soviet Ukraine. The trial will combine domestically produced high-moisture corn with 44-percent protein U.S. soybean meal. This combination should result in a cost-efficient, high-energy ration which meets Soviet needs.

"Soviet agricultural officials acknowledge that their country has a protein meal deficiency of 6 to 10 million metric tons," says David Haggard, president of the Association. "For U.S. soybean farmers, that represents a potential soybean meal market equivalent to 300 to 450 million bushels of soybeans."

If the feeding trial is successful, the Soybean Association hopes to work with the Soviets to increase soybean market opportunities in other areas such as technical aspects of soybean processing and further refining of soybean oil into products such as margarine and mayonnaise.

FAS To Sponsor Pavilion At MEFEX '88

The **Foreign Agricultural Service** will sponsor a pavilion at the **Middle East Food and Equipment Exhibition (MEFEX)** in Manama, Bahrain, February 27-March 2, 1988. MEFEX is the largest food and equipment show in the Middle East. At the 1986 show, over 300 firms and organizations from 31 countries exhibited their product lines, made new contacts and increased sales. Firms participating in the U.S. pavilion reported sales of $12 million. MEFEX '86 also attracted over 450 trade visitors from the Arabian Gulf States, which represent a market of more than $40 billion.

The U.S. Pavilion at MEFEX '88 will feature 33 booths. Participation in the U.S. National Pavilion provides exhibitors with lower exhibition costs and greater product exposure than if they participate individually. In addition, assistance is available in booth preparation, product shipping and customs clearance. For an application and more information, contact: MEFEX '88, Foreign Agricultural Service, U.S. Department of Agriculture, Room 4649-South Building, Washington, D.C. 20250. Attn: Ron Verdonk. Tel. (202) 475-3418.

EUSAFEC's Million Dollar Tea Party

The **Eastern U.S.A. and Food Export Council (EUSAFEC)**, a U.S. export organization, used Targeted Export Assistance (TEA) funds to negotiate a contract with a French supermarket chain for the sale of U.S. grocery products valued at $1 million. GENTY, a major French retail group with 100 supermarkets and 15 hypermarkets, conducted an in-store promotion over a two-week period last June and July. EUSAFEC supported their event with heavy promotional assistance.

EUSAFEC's part of the deal included not only promotional money, but a total package of services. It used an experienced international marketing group to assist the French buyers. Prices were quoted in French francs f.o.b. buyer's local warehouses with all expenses paid. These included ocean freight, insurance, documentation, consolidation, local trucking, clearance through French customs and payment of duties with exchange rate risks for the account of the seller. Also, each can, bottle and box was affixed with a label listing ingredients in the French language in accordance with food laws.

EUSAFEC's executive director, Edmund M. Paige, feels strongly about the service factor. "Processed foods just don't move on their own," said Paige. "They have to be helped. This applies to store buyers. Why should they go out of their way? If someone wants to open up a new market they have to go the extra mile."

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Features

Irradiated Food Gets Mixed Reviews from Foreign Buyers 4

Food irradiation could play a role in food exporting if countries and consumers are willing to accept it.

U.S. Lentils Thrive in Spanish Market 7

Nearly knocked out of the Spanish market by unfair trading practices, U.S. lentils are becoming the variety of choice.

South China Offers Potential for U.S. Exporters 9

Modernization in South China is leading to opportunities for sales of U.S. livestock, feed and high-value foods.

It's a Wrap: Package Design for the Export Market 11

A good package design can give a product an edge in the competitive export market. Two design experts offer advice on designing a successful package.

How To Find Your Niche in the Specialty Foods Export Market 15

Four exporters of specialty food products describe how they are approaching the export market.

Feed Grains Council Puts Sheep at Center Stage 17

The U.S. Feed Grains Council's focus on upgrading sheep herds in many developing countries is resulting in greater export opportunities for U.S. feed grain products.

Gearing Up for the Export Market—Now and in the Future 19

The export market offers U.S. firms the opportunity to develop new, long-term markets for their products. Planning for the future can make the export puzzle easier.

Departments

Marketing News 2

Fact File: A Glossary of Banking Terms 13

Country Briefs 21

Irradiated Food Gets Mixed Reviews from Foreign Buyers

The photograph is interesting. It shows two potatoes that have been stored in a cool place for 18 months.

The potato on the left looks like an 18-month-old potato—wrinkled and shriveled. It is covered with sprouts and other growth. It looks spongy.

The potato on the right also is 18 months old. But it looks like it has just been dug from the earth and gently washed. It appears plump and firm, ready to be baked, smothered with butter and served with a steak.

The reason for the dramatic difference in the two vegetables is that the one that looks fresh and wholesome has been intentionally bombarded with radiation.

Irradiation Makes Food Last Longer

It is called food irradiation, and it is the process of exposing food items to radioactive material to make the food stay edible longer.

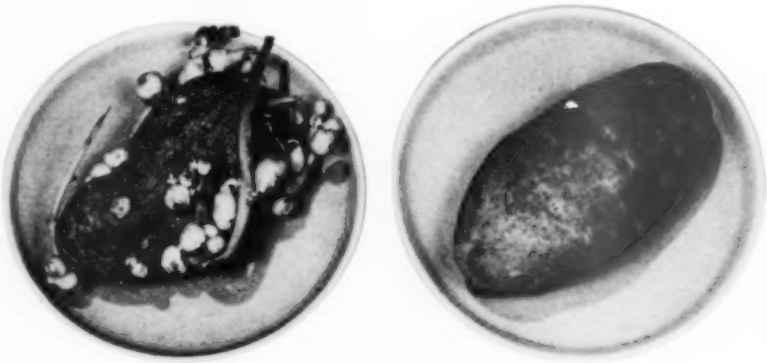
The dose of radiation kills insects and germs that can spoil the food. In certain root vegetables, like potatoes, it also slows ripening and the growth of sprouts. It does not make food radioactive.

A Use in Exporting?

The process would appear to have tremendous implications for the exporting of U.S. foodstuffs. Perishable items would not have to be shipped so quickly (expensively), and once at their destination, would have a longer shelf-life. For example, with a regulated dose of radiation it is estimated that the shelf-life of fish can be increased by seven to 10 days.

But Three Mile Island and Chernobyl, and the resulting radiation phobia, have made consumers cautious about anything involving radioactivity, including irradiated food. And countries are not going to import items that won't sell, or about which there are health concerns.

Potatoes Stored 18 Months 47°F



Non-Irradiated **10,000 RAD**

As one U.S. exporting authority put it, the current potential for food irradiation is "very limited at best and, for the most part, is nonexistent."

But there are glimmers of change ahead.

Not a New Technology

The technology has been around for more than 30 years.

In the 1960s, the U.S. Food and Drug Administration approved the irradiation of potatoes and wheat. More recently, irradiated food has been sent into space with astronauts because it can be stored without refrigeration and will not spoil.

And because it is relatively free of disease-producing organisms, irradiated food is now more often prescribed for cancer patients and others who are seriously ill.

Since 1985 it has been legal in the United States to irradiate pork to kill the germs that cause trichinosis. In 1986, the U.S. Food and Drug Administration approved the use of low doses of radiation in killing insects on food.

For the last 10 years, at the Black Sea port of Odessa, the Soviet Union has been irradiating an average of 10 percent of their total grain imports at what is considered the largest single industrial irradiator in the world. One source estimated that last year 500,000 metric tons of grains were treated at the facility.

While the technology is advancing and seems promising, people throughout the world remain wary. Interest is growing about as fast as an oak tree.

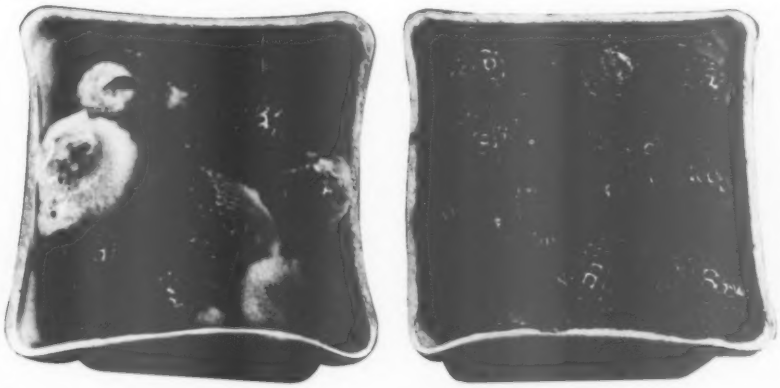
The majority of countries are adopting a "wait and watch" attitude. And their eyes are focused on the United States.

U.S. Is Leading the Way

The United States appears to have been crowned the leader in food irradiation research, with other countries content to let the United States "take the point" in this technology. The international competitiveness seen in other technical fields, like the computer or defense industries, for instance, has not surfaced in food irradiation research.

This hands-off attitude is mildly surprising in light of a joint study by the United Nations Food and Agricultural Organization (FAO), the International Atomic Energy Agency (IAEA) and the World Health Organization (WHO).

Strawberries Stored 15 Days 38°F



Non-Irradiated **200,000 RAD**

These organizations, respected and carrying some world clout, concluded in 1980 that controlled irradiation of food does not make food toxic, nor does it cause nutritional problems in food.

The study's conclusions received a boost in 1983 when they were reflected in the "General Standard for Irradiated Food," adopted by the FAO/WHO Codex Alimentarius Commission, which sets and works toward the acceptance of world food standards.

While countries have not fallen over each other in a rush to adopt these recommendations, there are indications that at least some have a timid optimism about the future of marketing irradiated food.

FAS Surveys World Attitudes

A recent survey by the Foreign Agricultural Service entitled "International Trade Potential for Irradiated Fruits, Vegetables and Other Foods" offers insights into some countries attitudes about food irradiation. The information in the survey could be interpreted as hopeful by some and hopeless by others.

Of the 12 countries plus the European Community (EC) that were surveyed, five prohibit the import of irradiated foods. They are England, West Germany, Denmark, Japan and Australia.

However, England, West Germany and Denmark offer exceptions to their bans.

England allows food to be irradiated during processing for quality control, and permits the use of irradiated food for patients needing sterile diets.

The West German Ministry of Health may grant special approval to import irradiated food if reassurances are given that consumer health will not be endangered. To date, no approvals have been granted.

Denmark permits imported irradiated spices only, and requires the spices to be so labeled. (Of those countries that have policies dealing with food irradiation, most require some form of labeling that tells the consumer the product has been irradiated.)

No Exceptions in Japan, Australia

There are no exceptions to the ban on importing irradiated food in Japan and Australia. But there is considerable interest in the subject in Australia, where guidelines have been issued (although not adopted by any states) and a parliamentary inquiry initiated. In addition, a senior government official is scheduled to visit the United States in the near future to review U.S. policies.

Food irradiation continues to be a sensitive subject in Japan, undoubtedly because of that country's experiences during World War II. However, at least one food irradiation authority thinks Japan may soon open its doors to irradiated food.

Dr. George Giddings, Director of Food Irradiation Services for the Isomedix Company of Whippany, New Jersey, feels that Japan may be a potentially good market for irradiated citrus fruit.

"Domestically, Japan irradiates about 25,000 tons of potatoes a year; so it is no stranger to the process," Giddings said. "Japan also imports a large amount of Florida grapefruits. U.S. bans on certain pesticides and a possible switch to irradiation treatment in this country may make Japan willing to ease standards on irradiated food so they can get the grapefruits they want."

Three Countries Require Permits

Of the countries surveyed by the Foreign Agricultural Service, Belgium, Sweden and Taiwan allow irradiated food after a permit from the government is obtained.

In Belgium, a permit must be obtained by the importer prior to customs clearance for each commodity imported.

Sweden has not issued any permits, and its National Food Administration has expressed the opinion that there are no reasons to allow irradiation in the country. As a result, prospects in that country are particularly unpromising.

Permits in Taiwan are issued by a Food Security Advisory committee of that country's Department of Health, after tests by Taiwan's Atomic Energy Council.

Three Countries Forming Policies

The FAS survey showed that the Netherlands, Hong Kong and New Zealand are in the process of formulating their policies on irradiated food.

How Food Is Irradiated

The process of irradiating food is quite simple, according to Dr. George Giddings of Isomedix, a "gamma radiation service" company located in Whippany, New Jersey.

"Irradiation of food, or anything for that matter, consists of conveying the product, in its final package, through a field of ionizing radiation," Giddings said.

Giddings, who is the director of Food Irradiation Services for Isomedix, explained that the radiation can come from gamma rays, electronic beams or x-rays.

The dose of radiation and the length of time an item must be exposed depend on the density of the item and the results desired, according to Giddings.

"A basket of mangoes, for example, would be exposed to 50,000 rads of radiation for 15 to 20 minutes," he said. "Spices would receive a higher dose."

Presently, food irradiation is more costly than conventional treatments. As a comparison, today it costs about three times as much to kill pests in mangoes using irradiation as it does to achieve the same results with chemical fumigants.

The Netherlands' Ministry of Public Health has a verbal agreement with some industries that allows the irradiation of fresh-cut vegetables, fresh and frozen shrimp, herbs and spices, fowl and fish fillets.

Canada allows imported irradiated products, but limits the types of products. Irradiated items that can be imported are fresh potatoes and onions, wheat, wheat flour, spices and dehydrated seasonings.

The Commission of the European Community is formulating a policy on food irradiation after consulting closely with the U.S. Food and Drug Administration. Authorities expect the policy to be similar to that of the U.S. agency.

Is There a Future for Irradiated Food?

So what does the future hold for irradiated food...Is there a future?

Giddings of Isomedix believes the immediate export future is with third-world countries.

"Historically, these countries have been more willing to follow the U.S. lead." Giddings said. "If the U.S. government approves of it and irradiated food is marketed, developing countries will probably buy it."

A recent article on irradiation in the American Agricultural Economics Association's magazine *Choices* sounds another positive note for the future of irradiated food.

Authors Rosanna Mentzer Morrison and Tanya Roberts, economists with the USDA's Economic Research Service, write of a promising future *if* several obstacles can be overcome. Most importantly, consumers must accept the concept of "nuked food."

"Food companies face a dilemma," the authors write. "They recognize irradiation's potential payoff. Imagine the market appeal of a fresh strawberry that does not rot in a few days, or a pork roast that poses no danger of trichinosis, even if undercooked. At the same time, companies fear consumers will reject irradiated foods...Perhaps acceptance will follow the path of microwave ovens where initial skepticism and health concerns were not sufficient to prevent their becoming a kitchen mainstay."

Some Consumer Acceptance

We may be in the genesis of the acceptance already.

According to Bob Souza, manager of the Papaya Administrative Committee in Hawaii, at least some American consumers have begun to accept irradiated food.

"Recent test marketing in Los Angeles showed that consumers were not turned off by the 'irradiated' label on papayas from Hawaii," Souza said. "With the exception of three or four people, almost everyone preferred the irradiated papayas over ones that were not treated with radiation...and the irradiated papayas were clearly labeled."

Giddings' company, Isomedix, claims success in test-marketing irradiated Puerto Rican mangoes in the Miami area.

"In a one-month period, about two and a half tons of irradiated mangoes were sold at selected locations in Miami," Giddings said. "People knew the fruit was irradiated but it sold nonetheless. There were many repeat sales as well."

Finally, environmental concerns over chemical fumigants used in agriculture and the banning of pesticides by the U.S. Environmental Protection Agency have U.S. farmers searching for less dangerous methods of controlling crop pests. Irradiation is receiving a hard look.

The continued interest of the United States in this beneficial-but-worrisome technology may cause other countries to take a harder look as well, casting a new glow to the future of food irradiation. ■

U.S. Lentils Thrive in Spanish Market

By Mary Ponomarenko

Whether they are thought of as ethnic or gourmet food, lentils in the U.S. diet are anything but commonplace. Such is not the case in Spain, where an estimated 98 percent of the 33 million inhabitants boil them in soups, bake them in casseroles and toss them in salads.

On the average, Spaniards eat lentils at least twice a week, annually consuming 2.5 kilograms of this lens-shaped, pea-sized legume. Moreover, the U.S.-grown variety, with its unique characteristics, is rapidly becoming the lentil of choice in Spain despite the relatively high price.

Lentil Market Is Large and Competitive

Although Spain produces most of its lentils, about 40,0000-50,000 tons annually, imports have been as high as 35,000 tons per year in recent years.

Turkey is the single largest supplier to Spain, followed by the United States and Canada. U.S. lentil exports to Spain have been roughly 6,000-7,000 tons in recent years. Canadian exports, however, have been increasing dramatically, spurred on by a substantial $25-per-ton price advantage gained through freight subsidies.

These unfair marketing conditions qualified the U.S. pea and lentil industry for assistance under the Targeted Export Assistance (TEA) program which was mandated by the 1985 Farm Bill to help U.S. commodities compete against unfair trade practices.

Promotional support from the TEA program enabled the USA Dry Pea and Lentil Council to create an image of high quality and to increase demand for the U.S. product.

U.S. lentil exports to Spain during August 1986 through March 1987 were 9,000 tons, valued at close to $5 million. The volume is 65 percent ahead of year-earlier levels and already exceeds last season's August-July marketing year total by 24 percent.

Changing Lentils' Homely Image

Until recently, the popularity of lentils in Spain had been on a decline because the vegetable had the unfavorable image of being provincial food, filling but also fattening. The negative image, however, is beginning to wane, and TEA promotions have helped put the U.S. lentil at the forefront of this more positive shift.

Spaniards, like many people around the world, are becoming more health conscious; and there is growing awareness of the nutritional benefits of lentils. This versatile vegetable is a good source of protein, rich in iron, high in fiber and non-fatty.

The U.S. variety has even more to recommend it. Unlike Turkish lentils, the U.S. product is cleaner, with no stones or insects. Unlike the Canadian competition, U.S. lentils are more consistent in quality.

In addition, the U.S. lentil is easier to prepare since it cooks in about half the time, an attractive selling point since more women in Spain are joining the workforce. About 20-30 percent of Spain's female population is now working outside the home.

These are the positive factors that the Council focuses on in its promotion. The message to consumers is primarily educational, stressing the nutritional benefits of the product and the quality and convenience associated with U.S. origin.

The message to importers, packers and retailers is that the quality and consistency of the U.S. product will build consumer loyalty and increase sales.

The "quick-cooking" benefit of U.S. lentils is most effective in the northern and eastern parts of Spain, areas where hard water may lengthen cooking times. Public relations efforts have concentrated in these regions, but the promotional campaign is nationwide.

In addition, the Council is attempting to shift the seasonal aspect of consumption patterns, encouraging summer uses of the lentil in salads and cold soups.

Recipe Contest Draws 7,000 Entries

A major component of the 1986-87 public relations campaign was a nationwide recipe contest, supported by an in-store cooperative promotion campaign. The two grand-prize winners received a week-long trip that included a cruise to Nassau and three days at Disneyworld. Prizes were donated.

Over 7,000 entries were received and reviewed by the Alambique Cooking School, an institution highly regarded throughout Spain. From these entries, the top 10 recipes were selected for publication in a recipe booklet.

The contest was advertised in magazines, on packages of U.S.-origin lentils and in supermarket displays. End-aisle displays featured the Statue of Liberty holding boxes or plastic bags of the U.S. product. Participating packers received contest details, promotional time schedules, media advertising schedules and illustrations of the point-of-sale materials available.

In addition to end-aisle displays, recipe pads featuring four different recipes were developed and printed for supermarket distribution. Billboards were also available. Packers then selected materials they wanted to provide to their respective retailers.

The contest received considerable attention and provided a great deal of exposure to U.S. lentils and their "quick-cooking" attributes. Half of the winning recipes were traditional casserole-type dishes; the other half represented more novel dishes, including salads. The recipe booklet developed will be distributed in Spain during this year's promotion campaign.

Print Media and TV Tell Lentil Story

The Council has been active in other promotions as well. Its comprehensive public relations program has included placement of lentil articles and recipes in Spanish print media, primarily magazines.

Guacocine, a popular cooking magazine, ran a photo and story on the "naturally quick-cooking lentil from the USA"; *Epoca*, Spain's version of *Time*, ran a similar article. Paid ads featuring the contest and promoting U.S. lentils ran in *Hola*, Spain's largest circulation women's magazine and *Telegrograma*, a publication similar to *TV Guide*.

Television also was used to reach Spanish consumers. The campaign included various appearances of U.S.-lentil spokespersons on television, as well as an interview with the head of the Alambique Cooking School on behalf of U.S. lentils.

In addition, the Council ran commercials promoting U.S. lentils and announcing the recipe contest. Participating packers also did their own television commercials.

Additional beneficial exposure is expected from a journalists' delegation scheduled to visit the United States this fall. A team of leading Spanish cookbook writers and food editors from magazines, newspapers and radio stations will tour the U.S. lentil production area.

Recipes, samples of the product and studio time with photographers will be provided during part of the trip to allow the participants to collect sufficient materials for use in their publications.

Improving U.S. Lentils' Visibility

The Council already has made a significant dent in increasing Spanish consumer awareness of U.S. lentils. Preliminary results of a consumer survey indicated that there was a 19-percent increase in consumers' acknowledging purchasing U.S.-origin lentils after in-store promotion activities had been conducted.

Council activities have been strongly supported and assisted by the U.S. agricultural counselor and his staff in Madrid. The Council has received funding for a second year of TEA promotion in Spain. More public relations and advertising work is planned.

And there will be a continued emphasis on joint promotional activities with key lentil importers and packers to create better identification of the U.S. product with the Council's logo.

There also will be increased efforts to reach the food service sector, such as restaurant chefs and schools. Results for next year are expected to be at least as favorable as this season. ■

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PRODUCT OF USA

South China Offers Potential For U.S. Exporters

By Larry Senger

South China offers U.S. exporters potential for agricultural sales. While the main opportunities lie in livestock, feed and related industries, there also is room for sales of other products such as high-value foods, wood and leather.

Good Prospects for Breeding Stock

South China is currently in the process of modernizing and developing its livestock and feed industries. During the next five years, these sectors likely will require substantial imports of breeding stock, feed grains, feed industry and livestock equipment.

Although breeding stock imports declined in 1986 due to a combination of a lack of foreign exchange and stringent quarantine requirements, demand still exists and could translate into imports in 1987.

Development of the livestock sector in South China has resulted in growing imports of dairy animals and hogs for breeding. A joint venture U.S.-Chinese dairy farm in the Guangzhou suburbs imported about 360 bred Holstein heifers in early 1986 to supplement the 180 imported a year earlier.

A U.S.-Thai joint venture in the Shenzen Special Economic Zone three hours south of Guangzhou imported about 500 U.S. hogs in two different shipments in 1985.

A U.S.-Chinese joint venture hog farm near Guangzhou imported roughly 1,900 U.S. hogs in late 1985 and almost 1,500 in 1986. The same U.S. supplier of these hogs has plans to export more breeding swine this year for proposed joint venture farms in Sichuan, Hebei and Guangdong provinces.

These large hog imports represent an investment in producing a leaner, more modern hog than traditionally has been raised in China. This effort has been spurred by the fact that Chinese consumers are willing to pay a premium for leaner pork.

Competition for Sales Is Stiff

In 1987, demand for breeding stock will be affected by the growing tightness of foreign exchange and by stiff competition from Australian and Canadian sources of breeding stock, especially for dairy animals. Chinese health requirements for animals from Canada and Australia are somewhat less stringent than for livestock coming from the United States.

However, South China importers of livestock from Australia and Canada, perhaps because of the less stringent overseas screening requirements, have had more problems getting animals cleared during the local quarantine process. This may translate into some increased interest in U.S. breeding livestock sources.

Feed Needs Must Also Be Met

In addition, South China will require imports of corn and soybeans to meet the demand of its livestock sector for quality feed. Although these commodities currently are being exported by northern China, they are in short supply in the south.

China was active in international corn markets in late 1986 and early 1987, making purchases largely for destinations in South China. China also bought U.S. soybeans in 1986.

China's transportation infrastructure is not developed sufficiently at this point to make shipment of feed grains from surplus to deficit areas economically feasible. Unless there is a concerted effort to transport feed grains from the north to the south, South China will most likely have to look to foreign markets to meet the growing demand for quality inputs for compound and mixed feed.

Industry Is Active in South China

To increase the demand for feed from potential beef producers, the U.S. Feed Grains Council, an industry group (cooperator) that works with the Foreign Agricultural Service on market development efforts, has conducted feeding trials on two dairy farms near Guangzhou to demonstrate the feasibility of raising dairy bulls for beef.

The Council also has sponsored technical seminars on beef butchering and preparation. Several experts from the United States also made frequent visits to the Guangzhou area to discuss the feed grain situation in southern China with local officials.

These efforts in South China began to pay off in late 1986 when China purchased several shiploads of U.S. corn, much of it destined for southern China.

Possible Sales for Other Commodities

Although the greatest trade potential is currently in the feed and livestock sectors, South China promises to become a growing market for other commodities, such as wheat, high-value foods, wood products and leather materials.

South China has traditionally been a rice-consuming area, but tastes are changing and demand for wheat products is growing. Relatively high-priced, high-quality western-style bakery products sell well in Guangzhou. This shift in tastes could lead to increased imports of wheat into southern China.

U.S. Wheat Associates, a cooperator association, continues to push ahead with these efforts in southern China. The group has a well-developed baking technology transfer program in Guangzhou. Several bread, pastry and noodle experts make regular visits to Guangzhou to give seminars at the Sino-American baking school, which trains baking students from throughout China.

Demand for Western Food Is Growing

The number of international hotels in South China is expanding rapidly, resulting in a small, but growing market for western cuts of high-quality meat, high-quality fresh food specialty items (oranges, strawberries and avocados), wines and other western-style prepared foods.

To take advantage of this trend, last year, the Foreign Agricultural Service sponsored its first menu promotion at a major hotel in Guangzhou that caters to tourists and foreign business representatives.

This "American Food Fortnight" promotion featured U.S. beef, vegetables and wines. The promotion, particularly for U.S. steak, attracted more customers than usual to the participating hotel restaurants.

As a result of the favorable response to U.S. beef products during and after the promotion, the hotel management decided to discontinue sales of New Zealand beef in favor of the U.S. product.

The hotel also continued to sell U.S. wines after the promotion, and has noted wide acceptance and popularity of U.S. "wine coolers."

South Chinese Have More Hard Currency To Spend

Because of its proximity to Hong Kong, local Chinese in South China are relatively well off and have hard currency to spend. In southern China, unlike in most of the country, Chinese are not restricted from entering international hotels.

Although it is probably overly optimistic to predict an early, large market in South China for western-style prepared foods, large segments of the urban population in Guangzhou and the Shenzen Special Economic Zone have access to specialty outlets catering to western tourists and like to experiment with these foods.

In time, this could lead to new markets for high-value food products. However, the United States will face stiff competition in this sector from Australia, New Zealand and the European Community.

Demand also exists for wood and leather products. Current wood product import demand is primarily for logs. But opportunities to expand into sales of processed products also are being examined. The National Forest Products Association is doing a study on the Chinese market for lumber.

In addition, both internal needs and export demand for leather goods may generate import markets for hides and skins, as well as semi-finished and finished leather. ■

The author is the U.S. agricultural trade officer in Guangzhou.

It's a Wrap: Package Design for the Export Market

In today's competitive export market, any edge can mean the difference between success and failure. According to industrial designers, a product's package—from product name to package shape and colors—can provide that edge.

Ruut van den Hoed, a packaging expert with a national design firm, says the package is the final, vital link at point of sale. "No matter what is inside the package (your product) the package becomes the product at point of sale," he said.

Packaging Can Bridge Cultural Gaps

The package must bridge the gap of cultural differences between countries, according to van den Hoed. It also must bridge a communication gap created by changes in the way consumers buy food.

Before World War II, van den Hoed said, buying food was a two-way communication process. Consumers asked their neighborhood grocers to recommend products. Today, food buying is a one-way process, with the package as the communicator. It must convince the shopper to buy the product.

Research Is Key to a Good Design

But the best possible package design is only as good as the information behind it, van den Hoed said. For that reason, the work of a design firm is not limited to sketching packages.

Eric Hagerstrom, a designer with another national design firm, said a firm will begin by researching the product's competitors and analyzing the intended market.

Cultural Differences Can Be Significant

Markets differ dramatically around the world, Hagerstrom said. "For the Japanese market, 'less is more' is the design statement that applies," Hagerstrom said. Simple, bold, sophisticated packaging is important to Japanese consumers.

Japanese perceptions of colors are similar to those of U.S. consumers, particularly for impulse buying, Hagerstrom said. Vivid colors lead both Japanese and U.S. consumers to make impulse purchases.

However, if the product is for a more sophisticated market in Japan, very subtle and soothing colors are important, Hagerstrom said.

British Favor Tradition

The United Kingdom is a more traditional market, and more of the U.S. heritage is involved in package design for that market, Hagerstrom said. If a firm is allowed to display the crown on its packaging, that can play an important role.

Cultural differences make every country a unique design challenge, according to Hagerstrom. For example, colors have different meanings in different countries. Purple is just a color in the United States, Hagerstrom said, but in Brazil it means death and obviously should not be used in packaging.

Design Is More Than Colors and Shapes

Color is just one factor that is considered in a product's design. Hagerstrom described a designer's work as a chain of events.

"We're involved in creating the name of a product, then how that name is converted to an image, then how that image is converted to the package itself," Hagerstrom said.

The next step is how that package is translated to the carton it comes in and how that, in turn, is related to point-of-

purchase display or advertising. In short, the intent is to design a complete, consistent image.

The Design Process From Start to Finish

The process of designing a complete image begins with research. First, the customer must know who the target audience is and where they live.

According to van den Hoed, there are five possible audiences—children, teenagers, junior adults, adults and senior adults. Each group has different needs and desires. In addition, needs and desires of the same audience vary in different countries.

"After the audience is identified," Hagerstrom said, "we try to find out if the market even exists." If there is a market, researchers try to pinpoint the market's demographics—what are the age groups, income levels.

During this process, Hagerstrom spends time getting to know the clients and what they feel are the product's attributes. "Then you sit down and have a lot of fun," he said.

Brainstorming Ideas

A designer will begin by creating the product's name—name generation as it is known in the design world.

Sometimes, Hagerstrom said, a computer is used to help generate names, but generally his firm uses brainstorming sessions.

After a name is chosen, the designer creates the logo or the graphic look of the name. "We're looking for a uniqueness that will be memorable to the consumer and have a distinctly different sound and look from anything on the market," Hagerstrom said.

The designer then applies the graphics to the shipping cartons, point-of-purchase materials and advertising to see if it provides the desired image.

Sculpting a Package

At this point, a designer determines the actual package shape. That's not always a open-and-shut project, Hagerstrom said.

For one product, which will be marketed in a bottle, Hagerstrom's firm sculpted 80 bottle shapes out of Styrofoam. Through discussions with the client, the 80 were narrowed to the three shapes which seemed the most appropriate, aesthetic and functional for the product.

These three went through another selection process until the final shape was selected. "Essentially what we do is a combination between sculpture as an art form and functionality in human engineering—how your hand holds a product, how it pours," Hagerstrom said.

More Than Just a Pretty Package

A designer also must consider how the product will be shipped and how it will fit into cartons. These are important considerations because you don't want a lot of unusable, costly space in shipping containers, Hagerstrom said.

At this point the design process is basically complete, Hagerstrom said. The designer reviews constantly with clients to make sure they're pleased with the process. "The design process is a mixture of creative science and art," Hagerstrom said. Costs for these services range from $20,000 to $150,000. ■

FACT FILE

A Glossary of Banking Terms

Acceptance—This term has several related meanings:
1. A time draft (or bill of exchange) which the drawee has accepted and is unconditionally obligated to pay at maturity. The draft must be presented first for acceptance—the drawee becomes the "acceptor"—then for payment. The word "acceptor" and the date and place of payment must be written on the face of the draft.
2. The drawee's act in receiving a draft and thus entering into the obligation to pay its value at maturity.
3. (Broadly speaking) Any agreement to purchase goods under specified terms. An agreement to purchase goods at a stated price and under stated terms.

Advance against documents—A loan made on the security of the documents covering the shipment.

Advising bank—A bank, operating in the exporter's country, that handles letters of credit for a foreign bank by notifying exporter that the credit has been opened in their favor. The advising bank fully informs the exporter of the conditions of the letter of credit without necessarily bearing responsibility for payment.

Arbitrage—The process of buying **Foreign exchange,** stocks, bonds and other commodities in one market and immediately selling them in another market at higher prices.

Asian dollars—U.S. dollars deposited in Asia and the Pacific Basin.

Beneficiary—The person in whose favor a **Letter of credit** is issued or a **Draft is drawn.**

Cash against documents (C.A.D.)—Payment for goods in which a commission house or other intermediary transfers title documents to the buyer upon payment in cash.

Cash in advance (C.I.A.)—Payment for goods in which the price is paid in full before shipment is made. This method is usually used only for small purchases or when the goods are built to order.

Cash with order (C.W.O.)—Payment for goods in which the buyer pays when ordering and in which the transaction is binding on both parties.

Collection papers—All documents (**Commercial invoices, Bills of lading,** etc.) submitted to a buyer for the purpose of receiving payment for a shipment.

Confirmed letter of credit—A letter of credit, issued by a foreign bank, with validity confirmed by a U.S. bank. An exporter who requires a confirmed letter of credit from the buyer is assured of payment by the U.S. bank even if the foreign buyer or the foreign bank defaults.

Convertible currency—A currency that can be bought and sold for other currencies at will.

Correspondent bank—A bank that, in its own country, handles the business of a foreign bank.

Date draft—A draft that matures in a specified number of days after the date it is issued, without regard to the date of **Acceptance** (Definition 2).

Deferred payment credit—Type of **Letter of credit** providing for payment some time after presentation of shipping documents by an exporter.

Devaluation—The official lowering of the value of one country's currency in terms of one or more foreign currencies. (E.g., if the U.S. dollar is devalued in relation to the French franc, one dollar will "buy" fewer francs than before.)

Discrepancy—Letter of credit—When documents presented do not conform to the letter of credit, it is referred to as "discrepancy."

Documentary draft—A **Draft** to which documents are attached.

Documents against acceptance (D/A)—Instructions given by a shipper to a bank indicating that documents transferring title to goods should be delivered to the buyer (or drawee) only upon the buyer's acceptance of the attached draft.

Draft (or Bill of exchange)—An unconditional order in writing from one person (the drawer) to another (the drawee), directing the **Drawee** to pay a specified amount to a named **Drawer** at a fixed or determinable future date.

Drawee—The individual or firm on whom a draft is drawn and who owes the stated amount.

Drawer—The individual or firm that issues or signs a draft and thus stands to receive payment of the stated amount from the drawee.

Eurodollars—U.S. dollars placed on deposit in banks outside the United States; usually refers to deposits in Europe.

Exchange permit—A government permit sometimes required by the importer's government to enable the importer to convert his or her own country's currency into foreign currency with which to pay a seller in another country.

Exchange rate—The price of one currency in terms of another, i.e., the number of units of one currency that may be exchanged for one unit of another currency.

Eximbank—The Export-Import Bank of the United States.

Foreign exchange—The currency or credit instruments of a foreign country. Also, transactions involving purchase and/or sale of currencies.

Irrevocable letter of credit—A letter of credit in which the specified payment is guaranteed by the bank if all terms and conditions are met by the drawee.

Letter of Credit (L/C)—A document, issued by a bank per instructions by a buyer of goods, authorizing the seller to draw a specified sum of money under specified terms, usually the receipt by the bank of certain documents within a given time.

PEFCO (Private Export Funding Corporation)—lends to foreign buyers to finance exports from the United States.

Political risk—In export financing the risk of loss due to such causes as currency inconvertibility, government action preventing entry of goods, expropriation or confiscation, war, etc.

Remitting bank—Bank that sends the **Draft** to overseas bank of collection.

Revocable letter of credit—A **Letter of credit** that can be canceled or altered by the **Drawee** (buyer) after it has been issued by the drawee's bank.

Sight draft (S/D)—A draft that is payable upon presentation to the drawee.

Spot exchange—The purchase or sale of foreign exchange for immediate delivery.

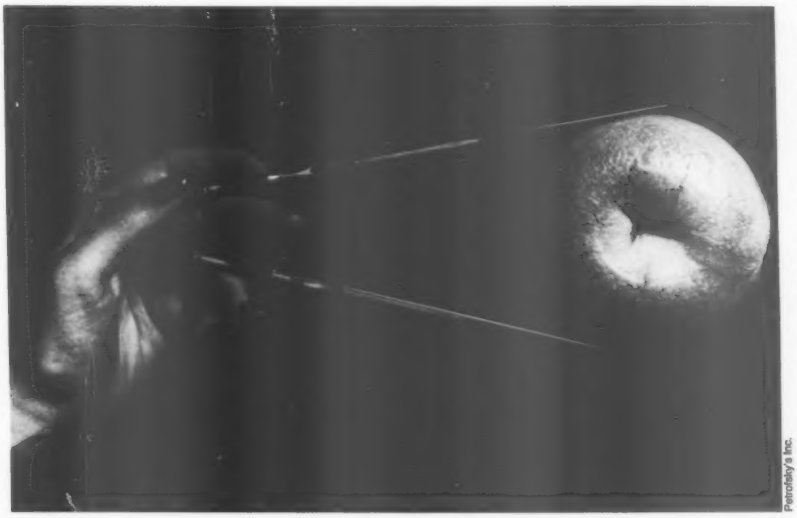
Tenor (or a Draft)—Designation of a payment as being due at sight, a given number of days after sight or a given number of days after date.

Time draft—A draft that matures either a certain number of days after acceptance or a certain number of days after the date of the draft.

Trust receipt—Release of merchandise by a bank to a buyer in which the bank retains title to the merchandise. The buyer, who obtains the goods for manufacturing or sales purposes, is obligated to maintain the goods (or the proceeds from their sale) distinct from the remainder of his or her assets and to hold them ready for repossession by the bank.

This glossary is adapted and reprinted with permission from *A Basic Guide to Exporting*, published by the U.S. Department of Commerce.

How To Find Your Niche in the Specialty Foods Export Market



Petrofsky's Inc.

Although the export market continues to be more competitive than ever, sales opportunities do exist. Exports of U.S. high-value and value-added items are at the highest levels ever. Here is a look at how four exporters of specialty food products are approaching the export market.

Petrofsky's Bakery Products

Knowing your market and tailoring your product to the needs of that market are the key elements in a successful marketing campaign for Petrofsky's Bakery Products. "That strategy has paid off in our U.S. markets and now we're ready to try it overseas," according to Jerry Shapiro, marketing director for Petrofsky's.

The St. Louis-based company makes raw dough bagels, specialty breads and bagel chips. Petrofsky's bagels—the mainstay of their line—are boiled, pre-proofed, formed and frozen for shipment. Bakeries, universities and supermarkets are the major buyers of their 12 different types of bagel doughs that can be used to create 200 varieties of special bagels.

"We create a unique signature for each of our customers," Shapiro said, "And every new customer gets personal training in baking our product."

"We customize our bagels in every market area," explained Shapiro. "In San Antonio, it's garlic-jalepeno bagels; in Chicago, egg and cheddar cheese; and in New York, Kimmel bagels—rye with caraway seeds."

"Bagels are a universally accepted food here in the United States," said Shapiro, "but we hadn't thought about overseas markets until two years ago." That's when James Foster from the Missouri Department of Agriculture International Marketing Program started talking to Shapiro about the Japanese market. There was already one bagel shop in Tokyo and Foster thought Petrofsky's should think about expanding its sales to Japan.

"My initial reaction was that it wasn't for us—that we still had much of the U.S. market to develop. But Foster finally convinced me that it was worth looking into and I made a commitment to study the Japanese market and do my homework thoroughly before making a decision," Shapiro said.

And for two years Shapiro did just that. He studied the market, the tastes of the people, the how-to's of doing business there and the potential for bagel sales. The Missouri Department of Agriculture provided expertise and trade data, but Shapiro did the marketing homework.

"It required a great deal of patience, but it's also been very exciting," according to Shapiro. As a result, Petrofsky's is now exporting to Japan. They've found that Japanese tastes are more bland than American tastes. Taking that into account, they are developing new signatures for their Japanese customers.

Personal marketing and trade shows have been worthwhile for Petrofsky's because Shapiro believes "it's important to get out there and see your customers and to meet new ones." "In any business," he said, "the personal touch, the follow-up, the linking of our culture and theirs, is vital to making sales."

"It's important to get out there and see your customers and to meet new ones. In any business, the personal touch, the follow-up, the linking of our culture and theirs, is vital to making sales."

Petrofsky's has a patented frozen dough process which enables them to do overseas business that wouldn't have been possible earlier. This technology, combined with methodical market planning, is helping Petrofsky's move successfully into the international market.

Meredith and Company, Inc.

Another company committed to targeting its products to meet market needs is Meredith and Company. This Massachusetts enterprise, started four years ago by Meredith Chutter, produces natural, salt-free mustards, compotes, preserves, salad dressings and vinegars.

Chutter has developed customized award-winning private labels for U.S. restaurants and hotel chains. Based on success in eastern and southern U.S. markets, Chutter says that she is seriously looking at export markets.

"I'm taking time to gather information and study consumer preferences," Chutter said. "I've exhibited at the last two National Association of State

Departments of Agriculture Food and Agriculture Expositions here in the United States and have been pleased with the good response to my products."

"There's been serious interest by buyers from the Netherlands, Switzerland, England, Japan, Korea and Taiwan," she said. Chutter has found that the Japanese, in particular, are very interested in her new products and have a special interest in "health foods." She plans to follow up on her trade show contacts by sending samples and more product information to Japan this year and she hopes to exhibit at a Japanese trade show next year.

"I've used the shows not only to sell, but also for research," Chutter said. "It's very easy to change a product to meet specific tastes or labeling concepts and requirements," according to Chutter. So she always asks buyers what they're looking for and discusses possible product adaptations.

"It's very easy to change a product to meet specific tastes or labeling concepts and requirements."

Chutter feels there's good potential for her products overseas. She plans to cultivate that potential through a long-term commitment to working with foreign buyers to develop items produced specifically to meet their needs and by following up on every sales lead with personal service.

American Trade Exchange

American Trade Exchange—AMTEX—in Trenton, Missouri, is a trade company born out of the depressed farm economy. Ellen Dolan, managing director, is the wife of a farmer. Her family and five other farm families from Trenton—population 7,000—joined together to form AMTEX.

"We felt that to survive emotionally as well as financially in rural America, we had to do something other than farming," Dolan said. They've learned a lot in the year they've been in existence.

"We started a corporation on a pipe dream," Dolan said. "We thought exporting would be an easy market, that we'd be an overnight success." Instead, Dolan said, they found that building an export business is a long, slow process.

Initially, AMTEX tried to market agricultural products like fertilizer, seeds, chemicals and machinery. Business was slow, not only because of the world market, according to Dolan, but because the firm did not know how to develop markets.

Staff in the Missouri Department of Agriculture advised the company to branch out into high-value foods. Today AMTEX represents 20 companies, trying to export products such as barbecue sauce and a flash-frozen pheasant product.

"I feel like I'm in business today because of help from state and federal governments," Dolan said. "Someone asked 'Do you work for the government?' I said no, I work the government. I try to take advantage of every service the government offers."

One of the biggest problems new companies have, according to Dolan, is finding out how to tap into the help government agencies can offer. AMTEX advertises heavily in Contacts,[1] Dolan said, and as a result, has developed a list of foreign buyers interested in AMTEX products.

The biggest lesson Dolan has learned in her year as the head of AMTEX is the value of networking. "Leave no stone unturned," Dolan said.

"I sometimes worry I'm becoming an opportunist," she said, "but that's what business is about—to find out everything you possibly can and use it to the best of your ability. But also, make yourself credible."

[1]Contacts, published monthly by FAS, contains brief descriptions of products submitted by U.S. firms. The newsletter is sent to U.S. agricultural counselors, attaches and trade officers who distribute them to overseas buyers.

Glorybee Natural Sweeteners

Glorybee Natural Sweeteners is a 10-year-old firm based in Eugene, Oregon. The firm packs and distributes honey and natural sweeteners like molasses and brown rice syrup.

Peter Oill, sales and marketing manager, said the firm has been successful in exporting to Canada, the United Kingdom, France, and Japan. Now the firm is attempting to introduce and export flavored honeys, honey sticks and honey bears. Honey sticks are being marketed as candy items.

Glorybee is the first firm to market flavored honey sticks, according to Oill. The product is being targeted to many audiences. Restaurants can use the product as a sweetener in teas—it's a heaping teaspoon and neater than sugar, according to Oill. Grocery stores can put them by cash registers and market them as an impulse candy item.

One major problem the firm faces is shipping enough quantity to reduce the per unit cost, Oill said. "In the United States," Oill said, "honey sticks retail for 10 cents. It's one of the few candy items you can buy for a dime." Oill said his firm's challenge is to reduce its costs so it can be competitive in the export market.

Oill recommends exporters attend trade shows to improve their market opportunities. "Trade shows save us a lot of steps," Oill said. "Instead of sending out samples and trying to contact people over the phone, we can make a physical and vocal presentation," he said.

In addition, potential buyers can see and taste the product. "The biggest plus," Oill said, "is that we can sell the product—we can work off their reactions."

"We've done a few trade shows," Oill said, "and with each show we've grown professionally. The initial sales are the easiest. Resale will show how successful our product will be." ■

Feed Grains Council Puts Sheep at Center Stage

By Kevin Rackstraw

With its beef and dairy programs well known throughout the world, the U.S. Feed Grains Council's market development efforts have targeted another livestock sector—sheep. The Council's activities stretch from northern Africa to the Arabian Peninsula's southern tip, from the Middle East to China.

Working with small flocks as well as large herds, the Council's program over the years has brought about improvements in raising sheep in many developing countries and regions of the world.

At the same time, expanded export opportunities have been opened for U.S. feed grain producers as a result of the Council's help in upgrading sheep production in many foreign lands.

The Feed Grains Council pursues its double mission with a number of basic but flexible programs. A 24-year veteran with the organization, Colin Campbell has been the Council's director of worldwide sheep programs since 1980.

Based in Gloucester, England, Campbell travels to targeted countries to carry out feeding trials, conduct seminars or demonstrations on animal health and nutrition and even teach the proper techniques for milking sheep.

The Council uses the Gloucester facilities for courses for sheep farmers and technicians from developing countries.

Sheep Important in Islamic Countries

In Islamic countries, where pork consumption is forbidden and beef and poultry consumption is low, the sheep program complements other Council activities in boosting demand for U.S. feed grains.

Sheep meat is a traditional part of the diet in many Middle Eastern countries. Elsewhere, many countries either feature lamb in the diet or use sheep for wool production.

The Council has found strong potential for improving sheep herds in Iraq, Jordan, Saudi Arabia, the Yemen Arab Republic, Syria, Turkey, Egypt, Tunisia and Algeria, as well as in China and Eastern Europe. There are also market opportunities in many Latin American countries, although the emphasis there is on wool production.

However, the Feed Grains Council's sheep projects in the Islamic countries of the Middle East are by far the most successful. These markets also have the greatest potential for expanded use of U.S. feed grains.

Strategies for Overcoming Problems

The Council's sheep program is based on a basic ration of unprocessed grain with supplements so it can be easily accommodated into the local feeding regimen.

The program stresses early weaning and intensive fattening of lambs on an all-concentrate diet, improving ewe nutrition and increasing fertility so that more lambs are reared per ewe and raising the output of milking ewes in countries where sheep milk production is important.

Also crucial to success in selected markets is using local assistance and extension systems whenever possible. Particularly important is garnering the help of a local specialist who can bridge the language and cultural gap.

Major constraints to greater production in the sheep sectors of many countries—and thus, lower feed grain utilization—are:

— Lack of knowledge concerning optimum nutrition during the different phases of the reproductive and fattening cycles;

— Lack of farmer credit to buy sufficient feed as well as frequent shortages of supplies;
— Unavailability of essential protein feeds, such as soybean, cottonseed and sunflower meals;
— Absence of grading and marketing systems to identify quality meat, milk and wool; and
— Difficulty of using U.S. grain for sheep projects because imported supplies are often channeled to poultry and cattle operations.

—Nonetheless, the Council's goals are designed to reduce these barriers gradually and steady progress has been made in changing entrenched farming patterns in many traditional societies.

Highlights of Market Opportunities

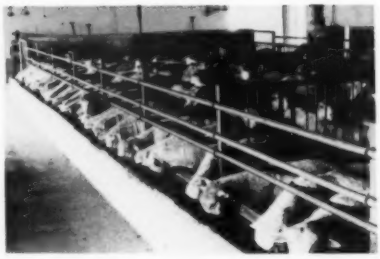
The following are some of the leading markets where Council projects offer opportunities for increased use of U.S. feed grains through greater sheep production.

Turkey. With more than 50 million head, Turkey has the largest sheep population in the entire Middle East/North African region. The majority of these animals are grass-fattened, using little or no grain supplements.

In addition to supplying its domestic meat needs, Turkey is hoping to build export markets in neighboring Islamic countries. In fact, Turkey has exported more than 4 million rams in recent years.

Because of the demand for high-quality carcasses for export, Turkey's sheep sector offers a good opportunity for feeding diets high in grain. The finishing of lambs at a younger age benefits Turkish producers, consumers and exporters. It also improves the import demand for feed grains.

The Feed Grains Council has been very active here in the past few years. In fiscal 1984, the Council conducted a small lamb-fattening project near Ankara and expanded into intensive lamb feeding programs on several private farms the next year.



Last year, field demonstrations were expanded into new areas of the country. In addition, the Council worked with the Turkish Ministry of Agriculture in encouraging farmers to fatten and sell their lambs at a much younger age.

This year, the intensive feeding programs are being pushed into new areas of the country. As well, the Council is continuing a close relationship with Turkish holding companies interested in starting up beef and sheep feedlot/slaughterhouse complexes.

These large commercial feeding operations are expected to significantly increase Turkey's need for feed grains.

Syria. The Feed Grains Council's program in Syria is well developed. The opening of two demonstration farms in fiscal 1982 established a permanent, modern production facility. Demonstrations and field days are held here.

A part-time local consultant was hired to run programs here and in Jordan. These projects have made great strides to upgrade sheep farming and they now include intensive methods of milk production. In new areas of Syria where the Council is active, subsidies are being used to encourage farmers to improve their production methods.

Jordan. The country's sheep population is much smaller than in Syria, but the Council is well known because of the demonstration sheep farm established four years ago. A successful lamb-fattening project developed by the Council is being closely monitored by other Arab governments.

Five model fattening units have been established, each with a capacity of 3,600 lambs. The goal is to remove the sheep from scarce forage resources and provide a consistent supply of fattened lambs for the marketplace.

The project convinced Jordanian officials of the value of importing concentrated feedstuffs, mainly barley and soybean meal, despite a preference for local feeds. Reliance on imports has become accepted because lamb fattening is an efficient use of feedstuffs—and cheaper than importing carcass meat.

Saudia Arabia. The country has a small sheep population so the Saudis import a large number of live sheep from Australia. Thus a major portion of the fed animals are adults—requiring only a short finishing time.

Besides conducting intensive feeding programs, the Council, in conjunction with a Saudi firm, has conducted a successful breeding program which requires increased rations for feeding through the entire life cycle of the animal.

Iraq. Sheep meat is important in the Iraqi diet, so this sector has high priority in the nation's food program. Although of excellent quality, Iraqi sheep will benefit from cross-breeding programs planned by the Council in cooperation with the Iraqi Organization for Animal Production.

The Council also intends to upgrade the country's technical and management expertise in developing feeding programs especially suited for extreme temperature conditions and scarce forage supplies.

As in other markets in this part of the world, the Council's activities will be integrated with programs to improve the milling and production of quality feeds for the livestock sector. ■

The author is with the U.S. Feed Grains Council, Washington, D.C. Tel. (202) 789-0789.

Gearing Up for the Export Market—Now and in the Future

By Ray Gadd

The export market may seem like a puzzle, but with a little work, it's not hard to get the pieces to fit. With a few minor steps, any exporter can develop a good plan for growth.

The first step an organization must take is to assign at least one person to head up the export department. This person should be knowledgeable about the company's plans for growth and understand the profitability of its products.

From here, there are two different avenues to follow. One is to develop a complete export department that will be able to establish a customer base, issue letters of credit, handle the booking of containers and quote delivered pricing, all of which takes time, effort and money. Ideally this is the best way to run a successful export business

But the good news is that with an export manager and the existing distribution system, a firm can be involved in the export business through the use of an export management company. This is an effective way to test the export business without spending a lot of time and money before gaining results.

Seeking Professional Help

Export management companies offer helpful services. They have staff who travel throughout the world and understand the total export business. Export management companies have an existing customer base and may already have a potential customer for a product as soon as a firm puts its export sign on the door.

These companies usually work on commission and only get paid when the product is sold. Their fees can be built into the price, allowing a firm to immediately develop a profitable export business.

Technical Revolutions Make Exporting Easier

Today's sophisticated machines are creating a revolution in the export business by making jobs easier, mistake-free and less costly.

One area going through this revolution is the communication process. It is very easy to pick up the phone and direct dial almost every country in the world.

Written communication also is undergoing a revolution. With the Fax machine, through the use of ordinary phone lines, buyers can have professional presentations in their hands with the speed of a phone call. More and more organizations are investing in the Fax system and soon it will become standard.

Personal Computers Ease Shipping Problems

The second revolution is the use of personal computers. Every firm wants to maximize the number of cases shipped per container. By using a personal computer to compute cube and weight, container maximization is easy.

Computers make the old system of calculating order quantities by hand completely outmoded. In addition, the computer can automatically update pricing and actually invoice customers. And with the Fax machine, the customer can approve or modify the order overnight before shipment.

The third revolution is the use of high-cube containers. The new 9'6" containers are available on a limited basis. These vehicles for transporting product hold about 15 percent more for the same cost. Since freight costs are a significant part of the price of exported products, shipping additional product for the same cost reduces the price per unit.

These three changes currently taking place are helping to improve export opportunities for all.

Export Future Looks Bright

The future for exports is bright. The first glimpse of this is that the 1990s should be an era of strong economic growth for all countries of the world.

In the 1980s, major countries finally have come to understand the economic effects of world trade and how everything is interrelated. This has brought about a better understanding of how to control inflation, stimulate economic growth and minimize unemployment.

This learning will be applied in the 1990s to provide a global economy where disposable income will increase and standards of living improve. There will be an underlying attitude to improve the quality of life. These conditions will provide a rich environment for exporters and importers.

Consumers Will Be More Sophisticated

Consumers of the world will look for quality products. In the 1990s, many manufacturers will realize the benefits of producing products tailored to meet the needs of different markets throughout the world.

Export sales will become the primary growth area for many manufacturers in the future. By tailoring domestic products to a specific export market, new doors will open and basic products will have a whole new life cycle.

Travel, Communications Will Be Easier

In the future, export sales will continue to become easier and less costly as technical advances occur. Many new forms of technology will become commonplace in the 1990s. Air transportation around the world will be quicker and easier with the development of the supersonic airplanes that are now in the design stage.

New visual communication systems will allow presentations to be made in front of buyers around the world without leaving the office. Order processing will be done from computer to computer via a completely automated process.

High-cube containers will become a standard in the industry as ships circle the globe faster than ever. Everyday appliances in U.S. homes, like microwaves, will become commonplace, causing new markets to open up for value-added food products. All these changing events will help importers and exporters improve their sales in the 1990s.

Seeking New Industries

Instead of governments subsidizing losing industries, they will need to recognize future opportunities for growth. Governments and manufacturers will need to support these new industries that their countries can specialize in.

Survival of the fittest is the way of evolution and the global economy in the 1990s will ensure change takes place. Instead of protecting an area that a country cannot be competitive in, survival of the fittest will necessitate adapting to the products they can compete in.

Without this natural progression, nations will be fighting a losing battle because change will take place and it is our responsibility to manage change for the better. ■

Gadd is International Market Manager for Ore-Ida Foods, Inc., 220 West Parkcenter Boulevard, Boise, Idaho 83707. Tel. (208) 383-6101. This article is adapted from his recent speech at the National Food and Agricultural Exposition in Seattle, Washington.

France

U.S. Expands Its Share of French Grapefruit Imports

France is Europe's leading import market for citrus fruit. In 1985/86, total imports of citrus fruit (oranges, lemons, grapefruit, clementines and tangerines) amounted to over 1.2 million metric tons, up a third from import levels in the mid-1960s. The increase was almost entirely accounted for by growing French demand for items other than oranges. Orange imports in 1985/86 were almost on the same level as in the mid-1960s, while imports of grapefruit and clementines nearly tripled. Over the same time period, imports of mandarines, wilkings, and mineolas declined.

Spain is the dominant force in the French import market for citrus. In 1986, roughly half of all French citrus imports came from Spain. In the years to come Spain probably will further reinforce its No. 1 position. Only for grapefruit is the Spanish share small. The United States accounts for about two-fifths of the grapefruit market, up from a share of about one-fifth in the mid-1960s. The marketing success of U.S. grapefruit is due to its quality, which enjoys strong consumer preference. U.S. grapefruit sales to France in 1985/86 totaled 52,686 tons.

In contrast, the United States has practically lost its market for oranges in France. In the mid-1960s, the United States shipped some 13,000 tons of oranges to France and accounted for 2 percent of all imports. By 1985/86, U.S. orange shipments to France had practically ceased. Also, the French market for U.S. lemons may soon disappear. In the mid-1960s, the United States accounted for 29 percent of all French lemon imports. In 1985/86, when total French lemon imports were more than one-third larger, U.S. shipments had become almost insignificant.—*Ernest Koenig, Agricultural Counselor, Paris.*

Korea

Despite Strong Economic Gains, Government Restrains Imports

Korea's economic performance in 1986 was its best ever. A 12-percent growth rate was achieved with the help of what Koreans have fondly come to refer to as the "Three Blessings"—the appreciation of the Japanese yen, lower interest rates and lower oil prices. Exports grew by an estimated 29 percent to $35.7 billion, representng a dramatic recovery from 1985's flat export performance. Unemployment was 3.8 percent. Consumer and wholesale prices remained relatively stable, in part due to low import prices for primary goods.

Korea registered its first significant current account surplus, an estimated $4.5 billion, having risen from about a $1-billion deficit in mid-1985. The surplus can largely be attributed to the surge in exports, while the year's imports were held down to $32.3 billion (c.i.f.).

Exports to the United States rose by 30 percent to almost $14 billion, resulting in an overall bilateral trade surplus for Korea of over $7 billion, far exceeding the previous year's record level of $4.2 billion. The United States now accounts for 40 percent of Korea's exports, up from 38 percent the year before.

The strengthening of the Japanese yen has allowed Korean industries to make inroads into market previously dominated by Japan. Notably, Europe has emerged as a leading market for Korean export goods, importing $4.6 billion for the year. Even as Korea penetrated Japanese export markets, its deficit with Japan almost doubled, reflecting its dependence on intermediate goods and machinery for export manufacture.

Korean policymakers have embarked upon a program to diversify imports away from Japan. The government is also supporting an import substitution or localization program, which is oriented toward displacing Japanese imports with locally manufactured products, but may adversely affect the United States as well.—*Daniel B. Conable, Agricultural Counselor, Seoul.*

Taiwan

Now Ranks as Sixth Largest Market for U.S. Agriculture

Taiwan is now the sixth-largest market for U.S. agricultural products. The United States has long been the dominant supplier of grains and oilseeds, and these account for more than a quarter of Taiwan's total agricultural imports. While total value of agricultural imports increased in 1986, grain and oilseed import values decreased because of low world prices. These commodities make up more than half of U.S. exports to Taiwan. The price drop—and a sharp decrease in cotton imports—caused the U.S. share of Taiwan's total agricultural imports to fall to 38 percent in value, down from 45 percent in 1985.

Despite the predominance of bulk commodities in U.S.-Taiwan agricultural trade, last year saw strong growth in Taiwan's imports of U.S. high-value products, a trend which is likely to continue. Some of the high-value items expected to grow significantly in 1987 are wines and beers, frozen potato products, pears, raisins, grapes, grapefruit, breakfast cereals, dairy products, ginseng and onions. Demand in Taiwan is also expected to grow for U.S. cattle and related products (bull semen and alfalfa), broiler breeding chicks and forest products such as hardwood lumber, fiberboard and particleboard.

The United States has been Taiwan's No. 1 agricultural supplier for years and is way ahead of No. 2, Australia and No. 3, Japan. However, most U.S. competitors showed growth in shares in 1986; many countries are actively trying to make inroads into the Taiwan market. Competition from Canada and South Africa will be even tougher this year. Canada established a trade office in Taiwan last year. South Africa and Taiwan are close friends and South Africa is expected to step up its market promotion activities in Taiwan as its other markets are shut off.—*John T. Hopkins, Agricultural Officer, Taipei.*

Growing Furniture Industry Augurs Well for U.S. Woods

Demand in Taiwan for temperate hardwood logs, lumber and veneer, as well as medium-density fiberboard and particleboard, have surged as Taiwan's wooden furniture exports increased 60 percent in 1986. The United States is Taiwan's major supplier of these wood products.

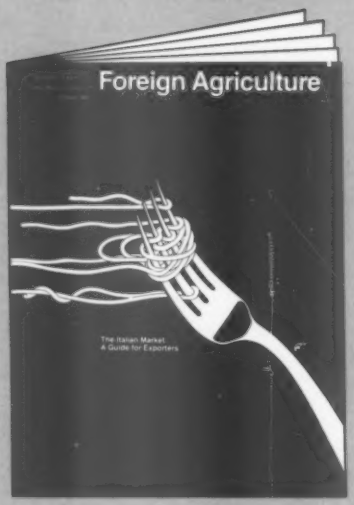
Taiwan's furniture industry, which in 1982 took only 11 percent of the total wood supply, accounted for 31 percent in 1986, and is expected to take even more in 1987. Total hardwood lumber imports, estimated at 700,000 cubic meters in 1986, were up a third over 1985.

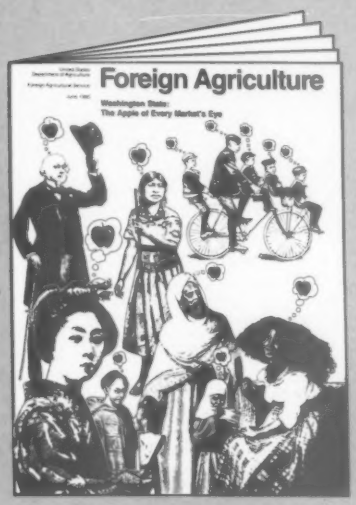
Taiwan's consumption of U.S. hardwood lumber increased about fivefold between 1982 and 1986. Red and white oak account for more than 90 percent of imported U.S. wood, but demand for maple, hickory and cherry grew significantly in 1986. Used extensively for furniture production and for high-value face laminates on fancy plywood, exports of temperate hardwood lumber and logs will continue steady growth through the end of the decade, though not at rates as high as 1986. To a certain extent, importers were overly optimistic in 1986 and stocks were large during the early part of the year.

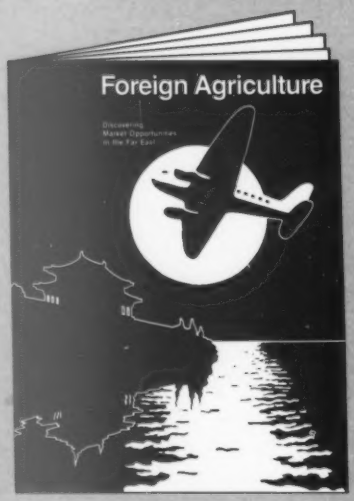
Softwood lumber imports dropped in 1986 to about 8,040 cubic meters because of high international prices, but are expected to rise sharply in 1987, with increasing use in furniture and interior decoration. Taiwan will import more yellow pine, yellow cedar, hemlock and Douglas fur, among other types. Softwood lumber imports represent less than 1 percent of hardwood, however.

Imports of particleboard and medium-density fiberboard were up 76 percent and 157 percent, respectively, in the first nine months of 1986 over the same period in 1985. Most of these products go into furniture production, and imports are expected to rise steadily, barring serious setbacks in Taiwan's furniture industry.

Taiwan produces no medium-density fiberboard; its particleboard production is threatened by growing scarcity of raw materials. The United States supplied three-fourths of Taiwan's medium-density fiberboard and half of its particleboard imports in the first nine months of 1986.—*John T. Hopkins, Agricultural Officer, Taipei.*







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